



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
Administration Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair
Committee Member
Committee Member
Staff: Finance Director

Mike Roorda
Steve Tate
Greg Sellers
Jack Dilles

SPECIAL MEETING

Thursday, November 21, 2002

MINUTES

6:00 P.M.

CALL TO ORDER

Chair Roorda and Committee Members Tate & Sellers;
Staff: Dilles

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of minutes for October 16, 2002.

The minutes for October 16, 2002, were approved.

2. Presentation by South Valley National Bank Regarding Investment Opportunities

South Valley National Bank representatives Jeffrey Perkins, Senior Vice President, Linda Cooper, Assistant Vice President, Myles Takata, Vice President, and Becky Venard, Vice President, made a presentation, described in a hand-out, regarding an opportunity for the City to invest funds in certificates of deposit with the bank, which would benefit the community. Chair Roorda expressed a concern that since the return on the investments would be less than what the City would otherwise earn on federal agency investments, the benefits of the bank investment should be quantified. Mr. Perkins indicated that they would quantify the benefits and provide that information to staff. Staff also indicated that staff would calculate the amount of lost earnings on such an investment so that the Committee could compare the lost interest earnings with the additional benefits and draw an informed conclusion about the financial feasibility of such investments with the bank.

3. Investing to Benefit the Local Economy (Discussion)

The Committee discussed the potential investment of idle City monies with local banks so that these investments would benefit the local community. Staff has met with Heritage Bank South Valley to discuss a proposal concerning local investments by the City and staff expects a written proposal soon. Committee members raised questions about the legal issues involved in making investments at rates less than the City would otherwise obtain and staff responded that the City Attorney will be invited to the next meeting to address concerns. Staff also indicated that it would be necessary to revise the City's investment policy to allow investments at local banks should those investments be at less than market rates.

4. Update on Sewer & Water Revenue Requirements Study (Discussion Update)

Staff presented a verbal report as a follow-up to the the City Council workshop regarding sewer and water revenue requirements on November 13. Staff distributed graphs showing projected fund balances under various scenarios and showing the three components of reserves (operating, capital, and rate stabilization). Staff also distributed a matrix explaining the purposes of the three reserves. Further, staff distributed a two year history of cash balances for sewer and water funds, so that the Committee could see the volatility in sewer and water cash balances and take this into consideration in reviewing appropriate reserve balances. Staff indicated that more justification concerning reserve balances and more information about reserve balance trends out through 20011/12 would be brought to the Committee prior to the January public hearing on sewer and water revenue requirements.

5. Refinancing Opportunity for Madrone Assessment District

Staff indicated that this refinancing opportunity, which would benefit property owners in the Madrone Assessment District, was not feasible at the current time because interest

rates had risen since the last analysis. However, staff will monitor market conditions to determine if the refinancing would be feasible in the future.

6. Financial and Investment Report for October 2002

This item was briefly discussed.

7. Future Agenda Items

None.

ADJOURNMENT

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.